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Summary record of the 32nd meeting
Held at Headquarters, New York, on Friday, 13 March 2015, at 10 a.m.

Chair: Mr. Ružička ..... (Slovakia)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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The meeting was called to order at 10.10 a.m.

Organization of work

Election of officers

1. **The Chair** informed the Committee that Ms. Rambukwella (Sri Lanka) had indicated her intention to resign from the office of Vice-Chair of the Committee with effect from 13 March 2015. In accordance with rules 103 and 105 of the rules of procedure, the Committee was invited to elect a new Vice-Chair from the Group of Asia-Pacific States. Those States had endorsed the nomination of Mr. Wickramarachchige (Sri Lanka) to fill the unexpired portion of Ms. Rambukwella's term.

2. *Mr. Wickramarachchige (Sri Lanka) was elected Vice-Chair of the Committee by acclamation for the period from 13 March 2015 to the end of the sixty-ninth session of the General Assembly.*

Agenda item 132: Programme budget for the biennium 2014-2015 (*continued*)

Strategic capital review (A/69/760 and A/69/811)

Flexible workplace arrangements (A/69/749 and A/69/810)

3. **Mr. Cutts** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on the strategic capital review (A/69/760), said that the places where work was carried out and meetings were hosted were essential for the functioning of the Organization and must be kept safe and efficient, and continuously modernized, adapted and remodelled to respond to ever-changing needs. However, many United Nations buildings were showing their age and were in need of significant repair.

4. The report presented a 20-year capital maintenance programme for the period from 2018 to 2037 covering owned and leased buildings at eight main locations: Addis Ababa, Bangkok, Beirut, Geneva, Nairobi, New York, Santiago and Vienna, as well as at 20 subregional commission locations. Those buildings had a total gross replacement value of $3.644 billion, which represented a huge investment by Member States, one that needed to be safeguarded. In accordance with the direction given by the General Assembly, the review did not address field missions or duty stations, which were not managed by the Office of Central Support Services. The maintenance programme, the need for which had been recognized by the Assembly in its resolution 68/247 B, would be updated on an ongoing basis.

5. The review was designed to project capital maintenance requirements more accurately well in advance, in order to provide the Assembly with a tool when considering those requirements. The aim was to reduce overall capital requirements by employing a life-cycle approach to managing real estate. The approach entailed the systematic conduct of existing conditions surveys, and the planning and gradual implementation of capital improvements over time, in contrast to the current reactive approach, whereby the Organization waited for its assets to fail before it took remedial action. The proposed approach would enable the Organization to avoid what would otherwise be larger, higher-cost, projects.

6. A number of major maintenance projects had been identified on the basis of the organizational objectives set forth in the review: life safety, accessibility for persons with disabilities, maintaining property value, maximizing space usage efficiency, modernizing building systems, improving energy efficiency, preserving heritage assets and minimizing work disruption. The report presented identified renovation, replacement and upgrade projects for the first ten years in terms of estimated costs and schedule, but did not include any proposals in respect of the projects; proposals would be presented in due course in accordance with the established procedures for budgetary proposals and the Financial Regulations and Rules of the United Nations.

7. In total, ongoing requirements for the projects averaged some $110 million per biennium in 2015 dollar terms, more than the budget levels approved for major maintenance in recent bienniums. The reactive approach to building maintenance had resulted in the need for large-scale capital projects, such as the capital master plan and the strategic heritage plan, representing major budgetary undertakings separate from approved programme budget levels. Such large-scale renovation projects were disruptive and more costly owing to their complexity, and required costly swing space and significantly more resources to manage. The life-cycle approach to building maintenance would be less costly overall and less disruptive to business.

8. It was recommended that the General Assembly should take note of the report and request the Secretary-General to report on the long-term capital maintenance programme for 2018-2037 at the first part of the resumed seventieth session and provide detailed information for the preliminary planned projects and related cost estimates.

9. Introducing the report of the Secretary-General on the comprehensive business case for the application of flexible workplace strategies at the United Nations (A/69/749), he said that the flexible workplace strategies initiative was an important complement to other reform initiatives such as Umoja, and was designed to equip the staff of the Organization with the tools of the modern workplace to enable them to perform their tasks more effectively and efficiently. Substantial progress had been made since the previous report of the Secretary-General on the implementation of the strategy at Headquarters (A/68/387). A team of expert consultants had started work in July 2014 to assist in developing the business case. A comprehensive study of space utilization had found that only 38 to 48 per cent of assigned work spaces were being used at any one time during the working day, depending on the time of day. A comprehensive survey of staff satisfaction with current space arrangements and attitudes towards flexible working, workspace and concepts had found that, overall, staff were ready for changes in the physical workplace but that there were different levels of understanding of flexible workplace strategies.

10. The previous report had been based on a prudent planning assumption of a 20 per cent reduction in office space needs as a result of implementing flexible workplace strategies. Extensive engagement with a representative cross section of senior managers and staff had allowed refinement of the planning approach to flexible workplace. The present report presented five different planning profiles, each of which involved a different mix of space types specifically tailored to the work of different departments. Even though the planning profiles were being used to assess the impact of implementation, every implementation of flexible workplace needed to follow a detailed and in-depth analysis of work needs and style, and should be developed through direct consultations with the departments and work groups involved. Flexible workplace solutions must be tailor-made for the specific needs of those involved, and direct engagement and consultation were necessary for their success.

11. The flexible workplace pilot on the 18th and 19th floors of the Secretariat Building had drawn positive feedback from participating staff, as well as constructive criticism concerning areas for improvement. The positive feedback clearly demonstrated that the strategy could succeed and deliver tangible benefits in terms of staff morale and satisfaction with the physical workplace. Achieving those benefits rather than focusing on space savings should remain the primary objective of the flexible workplace strategy.

12. Managers from various Secretariat departments and visiting officials from other duty stations had expressed considerable interest in implementing flexible workplace strategies and had asked for materials to assist in discussing possibilities with their respective staff. The initiative was gathering momentum within the Organization and the time was right to broaden implementation in New York. The report therefore proposed the implementation of flexible workplace strategies across 26 floors of the Secretariat Building and eight floors of the FF Building between April 2015 and February 2018. That would make sufficient office space available to enable the Secretariat to vacate a number of leased buildings when their leases expired.

13. In the interest of ensuring coordination with other reform initiatives, staff from Geneva had participated in the planning and execution of the pilot to assist them in incorporating the flexible workplace concept as an option in the planning of the strategic heritage plan. With regard to the long-term accommodation options under consideration for New York, the revised planning approach for flexible workplace had been incorporated in projected overall population requirements.

14. Subject to the approval of the General Assembly, the next steps for the Secretariat would be to extend internal communication to broaden understanding of the initiative among staff and management in New York; conduct in-depth internal consultations with departments and work groups directly affected to ascertain their specific needs; develop programmatic plans, floor layouts and designs, and begin procurement in respect of construction and reconfiguration activities foreseen in 2015; and

develop refined project plans and cost estimates for the project phases foreseen for 2016 to early 2018.

15. At the current stage, the Secretary-General was requesting approval of the proposed scope of the flexible workplace project at Headquarters, and authority to enter into commitments up to the amount of $5.8 million during 2015 and to use the Working Capital Fund and the Special Account on a cash-flow basis. In his next progress report, to be submitted at the main part of the seventieth session, the Secretary-General would present a funding proposal for the overall project, estimated at $49.6 million. The proposal would take into account future savings in rental costs. The costs of the project at Headquarters were expected to be recouped by 2020.

16. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the strategic capital review (A/69/811), said that the Advisory Committee noted that the Organization had for the first time developed an extensive long-term capital maintenance programme that would serve as a viable planning tool and facilitate decision-making by the General Assembly.

17. The Advisory Committee requested clarification of the actions requested of the Assembly in paragraphs 69 (a) and (b) of the report of the Secretary-General (A/69/760). It had been informed that the Secretary-General was not seeking approval for specific projects or for major maintenance and alterations and improvements identified pursuant to the initial strategic capital review. Rather, he was seeking general concurrence with the principles set forth in paragraph 36 of the report of the Advisory Committee (A/69/811). The Advisory Committee supported the general principles proposed by the Secretary-General in the context of the strategic capital review.

18. The Advisory Committee was, nonetheless, of the view that the proposal for future incremental recapitalization based on a life-cycle replacement methodology should be refined and that the costs and benefits of a preventive maintenance programme should be further detailed in the next report on the strategic capital review. Lastly, concerning the linkages with other initiatives already launched by the Organization or to be considered by the Assembly, it was important to regularly update the strategic capital review to reflect decisions by the Assembly and the changing needs of the Organization.

19. Introducing the Advisory Committee's report on flexible workplace strategies (A/69/810), he said that the Secretary-General had made a sound business case for a flexible workplace at Headquarters, taking into account the cost-benefit analysis as well as the qualitative and quantitative benefits, including the anticipated savings arising from the termination of the leases on the Daily News, Albano and Court Square Buildings. The Advisory Committee recommended implementation of a flexible workplace at Headquarters.

20. The Advisory Committee also recommended approval of the resources requested for the biennium 2014-2015, although the Secretary-General should explore alternatives to the personal information technology package and review the related costs for 2015. In that regard, the Advisory Committee recommended that the General Assembly should authorize the Secretary-General to enter into commitments up to the amount of $5,819,000 and, on an exceptional basis, to use the Working Capital Fund and the Special Account to fund a flexible workplace in the same amount on a cash-flow basis.

21. In addition, the Advisory Committee recommended that flexible workplace strategies should be incorporated in the strategic heritage plan, and that the Secretary-General should assess the potential for application of flexible workplace strategies at all duty stations. Lastly, the Advisory Committee welcomed the Secretary-General's intention to continue to engage with staff representatives and noted that the implementation of a flexible workplace should take into account staff considerations and staff workplace environment needs.

22. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to the strategic capital review as a means of ensuring safety and security and improving working conditions across all duty stations. The Group noted the progress made in establishing a framework and work methodology for the capital maintenance programme review for offices away from Headquarters and regional commissions, as well as the development of key objectives for the methodology for assessing projects. Those developments formed the basis for establishing guidelines and benchmarks to ensure a consistent approach to collecting and

reviewing information on buildings and infrastructure and policies relating to facilities management.

23. The Group noted the phase 2 activities related to collection of data from offices away from Headquarters and regional commissions where offices were owned by the United Nations, in particular activities related to the condition, operational and life-cycle replacement assessments carried out in accordance with the guidelines. It also noted the initiation in November 2014 of work related to phase 3, in particular on data analysis and the development of the 20-year capital maintenance programme, based on the methodology established in phase 1. It welcomed the efforts to develop an extensive long-term capital maintenance programme as a planning tool and aid to decision-making by Member States.

24. With regard to project governance and lessons learned, the Organization needed to develop its existing in-house capacity and, wherever possible, avoid the use of consultancy in the management of properties. While the Group shared the views of the Board of Auditors on capital budgeting and the use of contingency funds during project implementation, those issues should be considered separately in each individual capital project, taking into account best practices in the specific circumstances and the magnitude of the project. The Group did not support a one-size-fits-all approach.

25. Each major capital project should be budgeted and assessed separately from the regular budget so as to ensure transparency and accountability. However, work to address health and safety risks and minor improvements needed to be undertaken immediately, without sequencing. A clear definition was needed of what constituted a major capital project in order to prevent unnecessary delays in capital improvements. The Group would seek clarification of the linkages between the strategic capital review and ongoing capital projects, and organizational initiatives including Umoja, the International Public Sector Accounting Standards (IPSAS), flexible workplace strategies, and the global service delivery model.

26. Concerning flexible workplace strategies, the Group recognized the importance of transformational initiatives that contributed to a modern, adaptable and effective United Nations. However, careful and thorough consideration was needed before embarking on such new endeavours. With regard to the detailed cost-benefit analysis and the proposed implementation plan contained in the report of the Secretary-General, the Group acknowledged the stated benefits of enhancing staff satisfaction and cooperation while reducing space use and real estate needs. On the other hand, it was difficult to measure the impact on overall productivity across the different functions performed in the Organization.

27. Given that a flexible workplace would have a significant impact on the working environment of the Organization, the Group would seek clarification of the human resources management approach to its implementation. Considerations related to human resources policies and the specific requirements of different departments were critical in determining whether such proposals could be successfully implemented. Lastly, the Group would seek further information on the steps to be taken by the Organization before it could implement a flexible workplace strategy, in particular relating to information technology, robust internal communications, and training programmes.

28. **Mr. Dosseh** (Togo), speaking on behalf of the Group of African States on the strategic capital review, said that the Group welcomed the progress made in designing a mechanism to ensure effective management of Secretariat buildings in the form of a 20-year capital maintenance programme. The maintenance of the buildings at all United Nations duty stations was an important issue for the Group, in particular the buildings at the Economic Commission for Africa and the United Nations Office at Nairobi, as well as the various subregional offices. The Group noted with great concern that some buildings at those duty stations had greatly deteriorated, threatening the life and health of delegates, visitors and staff and entailing substantial refurbishment costs. It hoped that the ongoing review process would provide an effective mechanism for the maintenance of buildings at all duty stations, especially those in Africa.

29. It was the responsibility of the Secretary-General to ensure and guarantee the safety of staff at the various duty stations. The modernization and maintenance of property owned or managed by the system, including renovation of buildings, offices and site infrastructure, were imperative. There must also be compliance with industry norms and building codes relating to health and safety and access requirements for persons with disabilities.

30. The near-term projections for capital expenditure focused on the Economic Commission for Africa and the United Nations Office at Nairobi. The Secretary-General should ensure that effective measures were in place to implement the proposals under the strategic capital review and that lessons learned and best practices from capital projects were applied. The Group expected the next progress report to provide more details on fast-tracking the entire process.

31. **Mr. Khalizov** (Russian Federation) said that it was important for implementation of the capital maintenance programme for the period 2018-2037 to be based on periodic reviews of the state of capital assets, timely planning of building maintenance work, regular updating of data on the needs of the Organization for capital investments, and the overall reduction of the expenditure required to maintain assets over their useful life cycle. The Secretary-General should revise his proposals in order to provide specific parameters for the programme and to determine its cost. His delegation was particularly concerned that the proposed expenditures for implementation of the programme significantly exceeded the capital investments made by Member States over the six previous bienniums, not to mention the current reserves under the programme budget for the biennium 2014-2015. A thorough reworking of the financial aspects was needed.

32. His delegation endorsed the Advisory Committee's recommendation that the costs and benefits of the transition to a preventive maintenance programme for capital assets should be clearly defined. Otherwise it would be premature to approve such a programme. The Secretary-General should also present reliable, consistent and realistic methodologies for addressing the Organization's capital investment needs as well as information on industry standards.

33. With regard to flexible workplace strategies, his delegation noted the preliminary assessment of potential savings from the reduction in leased space. Efforts to achieve savings should be a cornerstone of the project. In that regard, the Secretariat should provide more detailed justification of expenditure incurred in implementation of the new strategies, particularly for the provision of smartphones and laptops to all United Nations staff, and the replacement of furnishings that had recently been purchased as part of the capital maintenance of the Headquarters buildings. The strategies should also take into account factors that would improve overall productivity, and the interests and well-being of staff. Moreover, the next report of the Secretary-General should present a more detailed assessment of prospects for incorporation of flexible workplace strategies in the strategic heritage plan of the United Nations Office at Geneva and their possible use at other duty stations.

The meeting rose at 11 a.m.